

the I/>co-Foco Democrats for several years and bore fruit in the Free Banking Act of April 18, 1838. Individuals or associations were authorized by this act to engage in the issue of notes, which were to be delivered to them by the State Comptroller, upon depositing with him the stocks of the United States, of the State of New York, or of any other State approved by the Comptroller, made equal to a five per cent. New York stock. Provision was also made for issuing notes on bonds and mortgages on improved, productive and unincumbered real estate worth double the amount secured by the mortgage, and the notes were to show whether they were secured by stocks or by mortgages. The mortgage feature of the law opened the door to a paper money Saturnalia as dangerous as the issues of I/aw's Bank, the *assignats* of the National Assembly, or the I/and Bank of Norway ; but fortunately the conditions attached to the issue of notes for mortgages were somewhat severe and such issues never attained any considerable proportion of the aggregate circulation of the free banks. The provision for mortgages as a basis for circulation was repealed in 1863 and securities for note issues were restricted solely to stocks of the State of New York and of the United States.

Individuals as well as associations were prompt to take advantages of the free banking law and the amount of capital subscribed by January i, 1839, was \$10,838,175. The actual circulation under the law at that time was only \$396,300, but the circulation had increased by December i, 1839, to about \$6,000,000, issued by seventy-six persons or associations, with fifty-seven additional applications pending. Eight of these banks went out of business before January i, 1841, and eighteen more followed in the course of the next year. The notes were redeemed at an average discount of twenty per cent, for those secured by stocks and twenty-five per cent, for those secured by stock and real estate. The results of the sales of securities up to the close of 1850 showed aggregate receipts of \$1,142,758 upon stocks which had been accepted as security for circulation to the amount of \$1,468,245. This afforded a dividend